GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:4961
ANSWERED ON:29.04.2008
FREE TRADE AGREEMENT WITH SRI LANKA
Sugavanam Shri E.G.

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether India has signed Free Trade Agreement (FTA) with Sri Lanka;

(b) if so, the details thereof;

(c) whether several Sri Lankan businessmen expressed their interest to invest in Southern States particularly in hotel and tourism sector;

(d) if so, the details thereof; and

(e) the steps taken to improve the bilateral relations between the two countries?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY(SHRI JAIRAM RAMESH)

(a) & (b) Yes, Sir.India and Sri Lanka are the signatories of Free Trade Agreement (ISLFTA). This Agreement was signed in 1998 and became operational from 2000.The salient features of ISLFTA are as follows:

Establishment of Free Trade Area (FTA) through complete or phased elimination of tariffs. India granted duty free access for 1351 items at 6 digit HS code upon entry into force of the Agreement and completed phased reductions on the balanced 2799 items by end of March, 2003. Sri Lanka on the other hand granted duty free access for 319 items of 6 digit HS Code upon entry into force of the Agreement and was required to provide 100% duty exemption on the remaining items by end of March, 2008.

The FTA does not remove tariff on all goods and has negative list to protect national interest of both countries.India has 429 items in the negative list whereas Sri Lanka has 1180 items in their negative list.

Rules of Origin criteria has been laid down in the Agreement to ensure minimum local content. There is also adequate safety clauses to protect domestic and national interest of both countries.

There is review and consultation mechanism to ensure the smooth operation of the Agreement.

India has also provided TRQ on import of tea and garments on preferential basis from Sri Lanka to India.

(c) & (d) Recently,a business delegation led by Minister of State of Commerce had visited Sri Lanka to explore possibilities of investment.The business delegation included primarily members from textile and IT Sectors.During the business interactive session, Sri Lankan businessmen expressed their willingness to invest in Southern States of India but no final agreements were reached.

(e) The bilateral trade and investments are expected to get a boost after finalization of Comprehensive Partnership Agreement (CEPA) which will deepen and widen the ambit of FTA by including Trade in Services, investment and economic cooperation.